

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary_st@leg.wa.gov

Executive Committee

June 15, 2004

9:30 - 10:00 AM
12:30 - 2:00 PM

Senate Conference Rooms A-B-C, Olympia

AGENDA

- (A) **Proposed Meeting Schedule**
- (B) (1) **Business Plan**
 - Matt Smith, State Actuary
- (2) **Interim Work Plan**
 - Matt Smith
- (C) **Plan 3 Vesting**
 - Laura Harper, Senior Research Analyst Legal
- (D) **Part-time Educational Staff Associates**
 - Bob Baker, Senior Research Analyst
- (E) **July Full Committee Agenda**
- (F) **Appointments to the State Actuary Appointment Committee**

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director*
Office of Financial Management

Senator Don Carlson

John Charles, Director
Department of Retirement Systems

Representative Steve Conway*
Vice Chair

Richard Ford
PERS Retirees

Senator Karen Fraser

Representative Bill Fromhold

Leland A. Goeke*
TRS and SERS Employers

Bob Keller
PERS Actives

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Glenn Olson
PERS Employers

Representative Larry Crouse

Diane Rae
TRS Actives

Senator Debbie Regala

J. Pat Thompson
PERS Actives

David Westberg*
SERS Actives

Senator Shirley Winsley*
Chair

***Executive Committee**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 753-9144. TDD 1-800-635-9993

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TDD: 1-800-635-9993

Select Committee on Pension Policy

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DRAFT MINUTES

April 20, 2004

The Select Committee on Pension Policy met in Senate Hearing Room 4, Olympia, Washington, on April 20, 2004.

Committee members attending:

Representative Alexander	Senator Fraser
Elaine Banks	Representative Fromhold
Marty Brown	Leland A. Goeke
Senator Carlson	Robert Keller
John Charles	Corky Mattingly
Representative Conway, Chair	Glenn Olson
Representative Crouse	Pat Thompson
Richard Ford	David Westberg

Representative Conway, Chair, called the meeting to order at 10:35 AM.

(1) Agenda

Representative Conway suggested that item (3) Session Update be moved to the first item on the Agenda.

Representative Conway welcomed new member Representative Crouse to the Committee.

(2) Session Update

Bob Baker, Senior Research Analyst, reviewed the report entitled "Session Update."

(3) Election of Officers

Matt Smith, State Actuary, summarized the reports entitled "Election of Officers" and the "Rules of Procedure."

Break: 11:15 - 11:20 - Members met to discuss the election of officers.

Senator Carlson nominated Senator Winsley as Chair to the Select Committee on Pension Policy. Seconded.

Senator Carlson moved that a unanimous ballot be cast for Senator Winsley for Chair. Seconded.

MOTION CARRIED

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director
Office of Financial Management

Senator Don Carlson

John Charles, Director*
Department of Retirement Systems

Representative Steve Conway*
Chair

Richard Ford
PERS Retirees

Senator Karen Fraser

Representative Bill Fromhold

Leland A. Goeke*
TRS and SERS Employers

Bob Keller
PERS Actives

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Glenn Olson
PERS Employers

Representative Cheryl Pflug

Diane Rae
TRS Actives

Senator Debbie Regala

J. Pat Thompson*
PERS Actives

David Westberg
SERS Actives

Senator Shirley Winsley*
Vice Chair

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Representative Fromhold nominated Representative Conway as Vice-Chair to the Select Committee on Pension Policy. Seconded.

Senator Carlson moved that a unanimous ballot be cast for Representative Conway for Vice-Chair. Seconded.

MOTION CARRIED

Senator Carlson was named as an alternate to Senator Winsley, Chair.

Executive Committee Members:

Leland A. Goeke was nominated to the Executive Committee representing employers. Seconded.

It was moved that a unanimous ballot be cast for Lee Goeke to the Executive Committee. Seconded.

MOTION CARRIED

J. Pat Thompson nominated David Westberg to the Executive Committee representing employees.
Seconded.

It was moved that a unanimous ballot be cast for David Westberg to the Executive Committee. Seconded.

MOTION CARRIED

Marty Brown, representing OFM, will serve on the Executive Committee with John Charles, Department of Retirement Systems, named as an alternate to the Executive Committee.

(4) Approval of Day's Agenda

*It was moved that the Day's Agenda be approved.
Seconded.*

MOTION CARRIED

(5) Interim Work Plan

Matt Smith, State Actuary, reviewed the handout entitled "Proposed Interim Work Plan."

The following people testified:

*Randy Parr - Washington Education Association
Lynn Maier - Washington Public Employees Association
Chris Merritt - King County Paramedics
John Kvamme - Washington Association of School
Administrators/Association of Washington School Principals
Richard Warbrouck - Retired Firefighters of Washington*

Leslie Main - Washington State School Retirees Association
Bobby Woolley - private citizen
Mitch Denning - Alliance of Educational Associations

(6) May 18, 2004 Meeting Agenda

Sandra Granger, Staff Coordinator, reviewed the May 18th Draft Agenda and gave a brief overview of the orientation where Ron Snell and Bruce Feustal, National Council of State Legislatures, were invited to speak and help facilitate the meeting.

(7) Meeting Dates

Representative Conway suggested that the meeting dates discussion be deferred to the Executive Committee.

The meeting adjourned at 12:35 PM.

SELECT COMMITTEE ON PENSION POLICY

Proposed Meeting Schedule

(June 9, 2004)

April 20, 2004

10 AM - 12:30 PM, Senate Hearing Room 4

Election of Officers
Session Update
Interim Work Plan
Meeting Dates

August 17, 2004

May 18, 2004

9:30 AM - 4 PM, Senate Conf. Room A-B-C

Orientation:

Summary of States' Pension Issues & Federal
Legislation
Emerging Issues in Washington
Member Priorities for Washington Pensions
Committee Goals and Challenges
Orientation Manual

September 7, 2004

October 19, 2004

June 15, 2004

10 AM - 12:30 PM, Senate Hearing Room 4

Adequacy of Benefit
Military Service Credit

November 9, 2004

Legislation

July 13, 2004

December 7, 2004

Legislation

SCPP Meeting Dates

Date	Yes	No
July 13	Keller, Miller, Banks, Westberg, Fromhold, Regala, Mattingly, Olson, Ford, Conway, Brown, Carlson, Crouse, Winsley	Alexander, Charles, Fraser, Goeke
August 10	Keller, Miller, Fraser, Banks, Goeke, Regala, Olson, Brown, Carlson, Crouse, Winsley	Alexander, Charles, Westberg, Fromhold, Mattingly, Ford, Conway
August 17	Alexander, Charles, Keller, Fromhold, Goeke, Regala, Mattingly, Ford, Conway, Brown, Carlson, Crouse, Winsley	Miller, Fraser, Westberg, Olson
September 7	Alexander, Keller, Miller, Fraser, Banks, Westberg, Fromhold, Goeke, Regala, Mattingly, Ford, Conway, Carlson, Crouse, Winsley	Charles, Brown, Olson
October 12	Keller, Miller, Banks, Westberg, Fromhold, Goeke, Regala, Olson, Ford, Conway, Carlson, Crouse, Winsley	Alexander, Charles, Brown, Fraser, Mattingly
October 19	Alexander, Charles, Keller, Fraser, Westberg, Fromhold, Regala, Mattingly, Olson, Ford, Conway, Brown, Carlson, Crouse, Winsley	Miller, Goeke
November 9	Alexander, Charles, Keller, Miller, Fraser, Banks, Goeke, Westberg, Fromhold, Regala, Mattingly, Olson, Conway, Brown, Carlson, Crouse, Winsley	Ford
December 7	Alexander, Charles, Keller, Miller, Fraser, Banks, Westberg, Fromhold, Goeke, Mattingly, Ford, Conway, Carlson, Crouse	Brown, Olson

Select Committee on Pension Policy

Business Plan

(June 3, 2004)

Benefits of Business Planning

- Clearly defined direction
- Uniform vision and purpose
- Improved quality of public service
- Increased level of commitment
- Set of priorities and matching of resources to opportunities
- Proactive management of issues

Basic Steps in Business Planning

- Articulating vision
- Assessing the situation
- Developing strategies, goals and objectives
- Documenting the business plan
- Communicating the business plan
- Monitoring progress and adjusting the plan

Key Decisions - Getting Ready

- Commitment:* How much time is the committee willing to commit to developing a business plan?
- Process:* Executive Committee proposal to the Full Committee? Outside facilitation?
- Critical Issues:* What are the committee's most critical issues? Are there issues in addition to the top four priorities identified at the May orientation?
- Strengths/Skills:* How can the committee's strengths and skills be employed to address the critical issues?
- Opportunities:* What opportunities are available and how can the committee synthesize its strengths with those opportunities?
- Best Approaches:* What are the best practices for a policy committee?
- Interim Work Plan:* What is the relationship of the business plan with the 2004 interim work plan?

Select Committee on Pension Policy

Priorities for Washington Pensions

Session Notes from May 18, 2004 Orientation
(May 27, 2004)

Top 4 Priorities for the SCPP as a Whole:

1. Contribution Rate Setting

Goals

- consolidate plans/rates?
- stable rates
- adequate rates for long-term goals
- predictable
- equal cost sharing (employer and employee)

Challenges

- budget
- identify long-term rates
- process?
- education of legislature, employers, public, etc.

Action

- SCPP study - other states methods
- legislative proposal
- minimum rates
- maximum rate of change
- fix rates in statute not less than 6% - long-term
- integrate rates with strategic plan

2. Balanced Long-Term Management

Goals

- tie benefit compensation (pensions, health care) to recruitment/retention
- be competitive in the labor market/avoid costs of turnover
- stability in systems - creates confidence/morale
- adaptability in plan management

Challenges

- buy-in/commitment of legislature to stay on course
- insure that pension system is not viewed as susceptible to political solutions (e.g. balancing the budget)
- data to make good decisions

Actions

- consider statutory contribution rates
- leadership briefings (bipartisan)
- business plan for management of pension systems of the state

3. Age 65 Retirement

Goals

- maintain state competitiveness
- balance employment and retirement
- potential replacement for plans 2 and 3
- sustain value of benefit
- adequacy - employer /employee shared costs

Challenges

- provide choice/flexibility
- affordability
- coalition building - plans, stakeholders

Actions

- actuarial study - 2004 interim
- building a political constituency
- member surveys/support
- draft legislation
- marketing plan

4. Purchasing Power

Goals

- predictability of purchasing power for retirees
- retiree financial security
- floor of 80% of original purchasing power

Challenges

- budget
- health care inflation and inflation overall
- catch-up cost

Action

- SCPP study
- incremental improvements
- draft proposal

Priorities of Individual SCPP Members:

- 1. Stabilizing rates (\$451 million bill) - 1 vote**
 - plan 2 employees impacted
 - expected increase may not be offset by salary increases
- 2. *Age 65 normal retirement age - 5 votes**
 - 82 systems have better benefit (lower age)
 - 20 year trend to lower the age
 - plan 2 coming of age; employers and employees demanding change
- 3. *Adequacy + adaptability = dependability - 2 votes**
 - adequacy applies to rates and benefits
 - adequate rates stabilization
 - adequate benefits health care; COLA
 - adaptability includes ability to adjust to Social Security changes, early retirement, phased retirement, retire/rehire
- 4. *Loss of purchasing power - 4 votes**
 - financial security
 - 60 - 70% too low
 - retirees have to work to meet expenses
 - retirees see this as #1 priority
 - address catch-up through CPI or SPI
- 5. Equity among systems**
 - plan design and options (membership) - 1 vote
 - not all plan 1
- 6. *Financial stability/integrity - 4 votes**
 - stable rates, fully funded
 - actuarially sound (phase out UAAL)
 - full accounting disclosure
- 7. Options/choice**
 - change choice of plan 2 or plan 3 after initial choice (TRS 2 or 3, SERS 2 or 3?) - 2 votes
 - change plan 3 rate selection (member contributions)

** Voted as a top 4 priority of the SCPP as a whole.*

8. Early retirement options for plan 2/3 - 1 vote

- not age based
- phased retirement options
- rule of 85, 90? service based

9. More strategic, less reactive - 1 vote

- long-term focus - 2 votes
- maintain standard of living
- predictability of benefit - purchasing power - 1 vote
- address health-care for retirees (some covered, some not)
- maintain state's competitiveness with other states (age 65 retirement) - 1 vote
- rate stabilization (long-term) - 2 votes
- health care - 1 vote
- SCPP committee process- enhancing participant and employer inputs
- enhance Plans 2 and 3
- rate stability and adequacy
- build funding capacity through rate setting process
- long-term Strategy/Priorities:
 - *Systems* (comprehensible, affordable, responsive, adequate).
 - *Process* (systemic, balanced between systems, (costs), focused).
- more focused policy analysis of Plan 2 and 3

Priorities of Individual Audience Members:

1. stabilize contribution rates
2. establish realistic COLA
3. more information re: projections/calculations (confidence)
4. more opportunity to discuss/debate
5. equal representation on SCPP (employers, employees, retirees, active)
6. subcommittees for in-depth issues
7. create options, flexibility
8. medical costs
9. reduce number of committees that regulate pensions
10. pensions as more fully a part of the total compensation package
11. member options to pay for benefits



WASHINGTON STATE LEGISLATURE
Office of the State Actuary
June 15, 2004

TO: SCPP Executive Committee Members

FROM: Matt Smith, State Actuary

SUBJECT: 2004 INTERIM WORK PLAN

I have attached the following two items to assist you in finalizing the committee's 2004 interim work plan:

1. ***2004 Interim Issues:***
An inventory of all issues that have been forwarded to the committee - from last year, this year, and from the May committee orientation.
2. ***Proposed Issue Schedule:***
A proposed 2004 calendar for all the issues that were forwarded from last year's Executive Committee plus three of the top four committee priorities identified at the May orientation. The committee will need to decide whether the priority of "Balanced Long-Term Management" will be addressed at the Full or Executive Committee level.

As you are well aware, there are more issues than staff resources or committee time to study during the 2004 interim. The proposed issue schedule has committee time slots available in October and perhaps in November depending on the number of legislative proposals that emerge this interim. The committee may want to consider extending the length of future full committee meetings to accommodate additional issues this interim. Longer full committee meetings may be easier to schedule and coordinate with members and would require less staff resources than adding subcommittees and subcommittee meetings.

I have identified two issues that would require a significant use of staff resources: Age 65 Retirement ("Working Until Age 65") and Plan 2/3 Choice for TRS and SERS. Specifically, these two issues would require significant actuarial resources and could conflict with the completion schedule for the 2003 actuarial valuations and concurrent actuarial audit that will be solicited by the Pension Funding Council. Should you decide to incorporate one or both of these issues into this year's work plan, scheduling them after July would lessen the potential for staff resource conflicts.

2420 Bristol Court S.W., Suite 101
P.O. Box 40914
Olympia, WA 98504-0914

FAX: (360) 586-8135

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Select Committee on Pension Policy

Proposed Issue Schedule

(June 1, 2004)

April 20, 2004

10 AM - 12:30 PM, Senate Hearing Room 4
Election of Officers
Session Update
Interim Work Plan
Meeting Dates

September 2004

School District Payroll Reporting - Work Session
Age 65 Retirement - Work Session

May 18, 2004

9:30 AM - 4 PM, Senate Hearing Room 4

Orientation

October 2004

Age 65 Retirement - Public Hearing

June 15, 2004

Adequacy of Benefit - Work Session
Military Service Credit - Work Session

November 2004

Legislation

July 2004

Purchasing Power - Work Session
Post-Retirement Employment - Work Session
Contribution Rate Setting - Work Session

December 2004

Legislation

August 2004

Gain-sharing - Work Session
Pension Funding Council Audit and Recommendations - Work Session/Public Hearing

Select Committee on Pension Policy

2004 Interim Issues

(June 1, 2004)

Issues Forwarded from Last Year

1. Gain-Sharing
2. Military Service Credit
3. Working Until Age 65
4. Retiree Health Insurance
5. Adequacy of Benefit
6. Pension Funding Council - Audit and Recommendations
7. School District Payroll Reporting
8. Post-retirement Employment
9. WSP Mandatory Retirement Age (referred to Joint LTC for interim study)

SCPP Bills that did not Pass in 2004

10. Early Retirement Reduction Factor Buy Down
11. Age 66 COLA
12. Plan 3 Vesting
13. Part-Time ESAs

Issues Suggested by Others

- Recovery of Lost Purchasing Power (WSSRA) - PERS 1, TRS 1
- Age 66 COLA (WSSRA, WASA/AWSP, WEA) - PERS 1, TRS 1
- Annualization of Gain-Sharing (WSSRA, WASA/AWSP) - PERS 1/3, TRS 1/3, SERS 1/3
- CPI-based Plan 1 COLA (WSSRA) - PERS 1, TRS 1
- TRS 1 Military Service (WASA/AWSP) - TRS 1
- Plan 3 Vesting (WASA/AWSP, WEA) - PERS 3, TRS 3, SERS 3
- Plan 2/3 Early Retirement Reduction Factor (WSSRA/AWSP)
- Gain-Sharing Threshold (WASA/AWSP) - PERS 1/3, TRS 1/3, SERS 1/3
- Retirement Governance (WASA/AWSP) - All plans except LEOFF 2
- School District Payroll Reporting (WASA/AWSP, AEA) - PERS, TRS, SERS
- Plan 2 Member Access to PEBB (WASA/AWSP) - eligible Plan 2 members
- Out-of-State Service Credit (WASA/AWSP) - PERS, TRS, SERS
- Extended School Year Issues (Mr. Bobby Woolley) - TRS 1
- King County Paramedics into LEOFF 2 (IAF) - PERS, LEOFF 2
- Part-Time ESAs (WEA) - TRS 1
- Plan 2/3 Choice at Hire (WEA) - TRS 2/3, SERS 2/3

- Health Benefits from Pension Plan (WEA) - All systems
- LEOFF 1 Disability Boards (Retired Firefighters of WA) - LEOFF 1
- LEOFF 1 Funding (Retired Firefighters of WA) - LEOFF 1
- LEOFF 1 Survivor Benefits (Retired Firefighters of WA) - LEOFF 1
- LEOFF 1 Medical Fund (Retired Firefighters of WA) - LEOFF 1
- LEOFF 1 Contribution Holiday (Retired Firefighters of WA) - LEOFF 1
- LEOFF 1 ex-spouse survivor benefits (Senator Morton) - LEOFF 1
- Age 70.5 (Senator Fraser) - All systems
- Opt In/Opt Out (Senator Fraser) - PERS
- SCPP Subcommittee Clean-Up Bill (WPEA) - PSERS
- Service Credit Purchase Clean-Up Bill (WASA/AWSP) - TRS 2/3
- SCPP Executive Committee Membership (Elaine Banks)

Priorities from Orientation

- Contribution Rate Setting
- Balanced Long-Term Management
- Age 65 Retirement
- Purchasing Power

Select Committee on Pension Policy

Plan 3 Vesting

(June 7, 2004)

Issue	Reduce the required length of service for vesting in the defined benefit portion of the PERS, SERS and TRS Plans 3 from 10 years to 5 years.
Staff	Laura Harper, (360) 586-7616
Members Impacted	As of the most recent valuation, nearly 48,600 Plan 3 members were not vested. Non-vested members included those who had less than 10 years of service; those who were not vested in Plan 2 on July 1, 1996 in TRS, September 1, 2000 in SERS or June 1, 2003 in PERS; and those who did not have 5 years of service including 12 months after age 54. Any of these non-vested members would be affected by this proposal unless they leave employment or become vested prior to the effective date of any legislation to change the vesting period.
Current Situation	New Plan 3 members of TRS, SERS, and PERS are vested in the defined benefit portion of their Plan after 10 years of service, or after 5 years of service if 12 months of that service is earned after attaining age 54. Plan 3 members are immediately vested in the defined contribution portion of their Plan.
History	SHB 1298 was introduced in the 2003 legislative session. The bill would have shortened the defined benefit vesting period in the Plans 3 from 10 years to 5 years. The bill passed the House, but was not heard in the Senate. In 2004 similar legislation was introduced as SB 6247/HB 2540. It passed in the Senate but died in House Appropriations.

Policy Analysis

The Plans 3 are hybrid plans. The defined benefit portion of these plans (the portion to which the 10-year vesting period applies) uses a formula to determine the monthly retirement benefit that a member will receive for life: $1\% \times \text{Average Final Compensation (AFC)} \times \text{years of service credit}$. The defined benefit is funded entirely by employers. When members leave employment prior to becoming vested, they forfeit these employer contributions. On the other hand, the defined contribution portion of the Plans 3 is funded entirely by employees. Employees are immediately vested in their own contributions.

When the Plans 3 were on the drawing board, one of the concerns was the small size of the defined benefit that members would receive if they earned only a modest amount of service credit before full retirement. Plan 2 members receive 10% of average final compensation (AFC) upon vesting (5 years \times 2% per year). This 10% standard was used for the defined benefit portion of the Plans 3. Setting the vesting period in the Plans 3 to 10 years guaranteed vested members 10% of their AFC as a minimum defined benefit (10 years \times 1% per year).

In the design of the Plans 3, the long vesting period for the defined benefit portion of the pension was offset by the fact that Plan 3 members were immediately vested in the defined contribution portion of their benefit. Since the defined benefit would be such a small portion of the total benefit during the early years of employment, and since members were immediately vested in their employee contributions, it was felt that those who left employment before the end of the vesting period would not be losing such a significant amount of their total retirement benefit that the longer vesting period would adversely affect employment behavior.

The following table illustrates the value of the defined benefit (DB) portion of Plan 3 for members who entered the plan at various ages and separated from service after 5 years. These examples assume an average final compensation of \$30,000 and an annual inflation rate of 3.5%.

Future Value of Plan 3 Benefit, Adjusted for 3.5% Assumed Inflation
(Defined Benefit payable at 65 = 1% x \$30,000 x 5 years of service)

Entry Age	Age at Separation	DB Benefit at 65	Future Value*	% of DB
25	30	\$1,500	\$450	30%
35	40	\$1,500	\$635	42%
45	50	\$1,500	\$895	60%
55	60	\$1,500	\$1,263	84%

**Reduced for 3.5% assumed annual inflation from age at separation to age 65.*

The table illustrates that for those who are hired at earlier ages, the future benefit that is forfeited is smaller after adjustment for assumed inflation from age at separation to age 65. This is consistent with the rationale behind the 10-year vesting period, and the reason why the vesting period was lowered for older employees. The higher the plan entry age, the greater the percentage of the future benefit that would be forfeited at separation as the result of a failure to vest.

It is unknown whether members actually analyze their own retirement benefits at this level of detail, or how much the vesting period is a factor in employment decisions. Theoretically, shorter vesting periods support attraction of new employees. Longer vesting periods support retention of employees.

Another retention incentive in the Plans 3 is the provision that members who remain in the Plans 3 for at least twenty-service credit years receive the additional benefit of an “inflation protector.” These members receive an increase in the defined benefit portion of their retirement allowance of 3% per year, compounded for each month from the date of separation to the date that the retirement allowance commences.

Comparison with Washington Plans and Other States

The 10-year vesting period for the defined benefit portion of the Plans 3 is the longest among the plans administered by Washington State. The Plans 1 and 2, which are all defined benefit and not hybrid plans, have 5-year vesting periods.

The national trend in retirement plans is toward shorter vesting periods due to the increasing mobility of the workforce and the trend toward multiple careers. However, numerous state and municipal retirement plans still use a 10-year

vesting period. In the 2002 survey from the Public Pension Coordinating Council covering 276 public retirement plans, a total of 96 plans had vesting requirements of 10 years or more. More than 40 of those plans were administered by twenty-five states or territories, in addition to Washington. In comparison, 132 plans had vesting requirements of 5 years or less. The survey results are attached.

Options

The proposal to lower the vesting period for the defined benefit portion of the Plans 3 from 10 to 5 years has been considered and rejected during the last two legislative sessions. With that in mind, the Committee may wish to consider alternative approaches to the issue. One possibility is that the proposal was rejected due to cost. An option for lowering the cost would be to develop proposals for 5-year vesting in the higher age brackets when the vesting period is more likely to affect employment behavior. Currently 5-year vesting is available in the Plans 3 if 12 months of a member's service is earned after attaining age 54. That age could be lowered.

If the SSCP wishes to pursue the issue of Plan 3 vesting during this interim, it might be useful to study the probability of member termination at various ages as well as the value of the defined benefit component of the Plans 3 at various ages in order to better assess whether any changes to the vesting period might affect employment behavior.

If the Committee determines that the cost of changing the vesting period is prohibitive at this time, another option would be to encourage additional member education. There may be a perception that the longer vesting period for the defined benefit portion of the Plans 3 is a detriment to those who might select Plan 3. However, through additional member education, more new hires may be able to better evaluate the financial implications of the vesting period and better understand the tradeoffs in the design of the Plans 3.

Stakeholder Input

While there has been no opportunity for specific stakeholder input on this issue at this early stage of the 2004 interim, it should be noted that the following organizations have requested in writing that Plan 3 vesting be considered by the SSCP in 2004: the Washington Association of School Administrators, Association of Washington School Principals, and the Washington Education Association.

Bill Draft

A copy of last year's bill, SB 6247/HB 2540 is attached. This bill would have reduced the required length of service for vesting in the defined benefit portion of PERS 3, SERS 3 and TRS 3 from 10 years to 5 years.

Fiscal Note

The fiscal note for last year's bill is attached. The bill would have increased contribution rates in the PERS, TRS and SERS Plans 2 and Plans 3, as the cost of this Plan 3 benefit enhancement is shared equally among Plan 2/3 employers and Plan 2 employees. This cost-sharing approach is defined under state law in the actuarial funding chapter, Chapter 41.45 RCW.

Active Members and Vesting Requirements by Plan

Source: Public Pension Coordinating Council Survey 2002 (2000-2001 data)

ID#	PLAN NAME	Members	Vesting Requirement
0376G	West Virginia Teacher's Defined Contribution Plan	19,000	1/3 after 6 years; 2/3 after 9 years; 100% after 12 years
0020A	PARK EMPLOYEES & RET. BOARD EMPLOYEES ANNUITY AND BENEFIT FUND OF CHICAGO	3,639	10 YEARS
0247A	OAKLAND POLICE & FIRE RETIREMENT FUND	161	10 YEARS
0283A	City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines	364	10 years
0314C	BISMARCK FIREFIGHTERS RELIEF ASSOCIATION	62	10 YEARS
0376D	West Virginia State Police Retirement Plan□□(Trooper Plan B)	323	10 years
0497B	Macon Water Authority Employee Pension Plan	205	10 years
0672A	New York City Pension Fund -- Subchapter 2	11,477	10 years
0022A	Dukes County Contributory Retirement Plan	932	10 years at age 55
0083A	OKLAHOMA TEACHERS' RETIREMENT SYSTEM	83,024	10 YEARS OF OKLAHOMA SERVICE
0005C	RETIREMENT SYSTEMS OF ALABAMA TEACHERS' PLAN	126,558	10 YEARS OF SERVICE
0010A	TEACHERS' RETIREMENT SYSTEM OF LA - REGULAR EMPLOYEES	87,631	10 YEARS OF SERVICE
0010B	TEACHERS' RET. SYSTEM OF LA - SCHOOL FOOD SERVICE PLAN B	2,115	10 YEARS OF SERVICE
0010C	TEACHERS' RET. SYSTEM OF LA - SCHOOL FOOD SERVICE PLAN A	1,067	10 YEARS OF SERVICE
0038A	RETIREMENT SYSTEM FOR SWORN POLICE PERSONNEL	107	10 YEARS OF SERVICE
0015A	CONNECTICUT TEACHERS' RETIREMENT SYSTEM	46,500	10 YEARS OF SERVICE
0016A	PLYMOUTH COUNTY RETIREMENT ASSOCIATION	9,098	10 YEARS OF SERVICE
0017A	MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST	1,587	10 YEARS OF SERVICE
0024A	STERLING HEIGHTS POLICE AND FIRE RETIREMENT PLAN	261	10 YEARS OF SERVICE
0064B	EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - PUBLIC SCHOOL	32,864	10 YEARS OF SERVICE
0064C	EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - JUDICIAL	416	10 YEARS OF SERVICE
0004A	TEXAS MUNICIPAL RETIREMENT SYSTEM	86,203	10 YEARS OF SERVICE
0005A	RETIREMENT SYSTEMS OF ALABAMA EMPLOYEES	75,734	10 YEARS OF SERVICE
0064A	EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - GENERAL	72,176	10 YEARS OF SERVICE
0067A	TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY	134,199	10 YEARS OF SERVICE
0068A	POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY	42,430	10 YEARS OF SERVICE
0069A	PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY	277,441	10 YEARS OF SERVICE
0146E	LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN E: GENERAL	31,088	10 YEARS OF SERVICE
0071A	LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM	69,680	10 YEARS OF SERVICE
0087A	NEW HAMPSHIRE RETIREMENT SYSTEM - GENERAL PLAN/EMPLOYEES	20,262	10 YEARS OF SERVICE
0087C	NEW HAMPSHIRE RETIREMENT SYSTEM - POLICE PLAN	3,254	10 YEARS OF SERVICE
0087D	NEW HAMPSHIRE RETIREMENT SYSTEM - FIREFIGHTERS PLAN	1,269	10 YEARS OF SERVICE
0120A	CITY OF BOCA RATON GENERAL EMPLOYEES' TRUST	628	10 YEARS OF SERVICE
0131A	MWRD RETIREMENT FUND	2,084	10 years of service
0148A	TEACHERS RETIREMENT SYSTEM OF GEORGIA	191,908	10 YEARS OF SERVICE
0154B	NORTH DAKOTA HIGHWAY PATROL RETIREMENT PLAN	122	10 YEARS OF SERVICE
0156B	WICHITA POLICE AND FIRE RETIREMENT SYSTEM	993	10 YEARS OF SERVICE
0161A	INDIANA STATE TEACHERS' RETIREMENT PLAN	77,870	10 YEARS OF SERVICE
0163A	CHICOPEE RETIREMENT SYSTEM	1,140	10 YEARS OF SERVICE
0168A	FLORIDA RETIREMENT SYSTEM	597,823	10 YEARS OF SERVICE
0181A	MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM	312,699	10 YEARS OF SERVICE
0182A	MICHIGAN STATE POLICE RETIREMENT SYSTEM	2,210	10 YEARS OF SERVICE
0185A	MICHIGAN STATE EMPLOYEES' RETIREMENT SYSTEM	47,778	10 YEARS OF SERVICE
0193A	KANSAS PUBLIC EMPLOYEES RETIREMENT PLAN	142,870	10 YEARS OF SERVICE
0223A	CITY OF ALPENA - GENERAL	48	10 YEARS OF SERVICE
0224A	LA COUNTY METRO TRANSIT AUTHORITY - UTU RIP	3,944	10 YEARS OF SERVICE
0224B	LA COUNTY METRO TRANSIT AUTHORITY - MAINTENANCE EMPLOYEES	2,023	10 YEARS OF SERVICE
0224C	LA COUNTY METRO TRANSIT AUTHORITY - TCU RIP	697	10 YEARS OF SERVICE
0226A	CITY OF MANISTEE EMPLOYEES RETIREMENT SYSTEM	62	10 YEARS OF SERVICE
0255A	OKLAHOMA POLICE PENSION AND RETIREMENT PLAN	3,778	10 YEARS OF SERVICE

0269A	KANSAS CITY (MO) FIREFIGHTERS' PENSION SYSTEM	761	10 YEARS OF SERVICE
0293A	CITY OF MILFORD - BENEFIT PLAN I	700	10 YEARS OF SERVICE
0314A	CITY OF BISMARCK CITY PENSION PLAN	307	10 YEARS OF SERVICE
0314B	CITY OF BISMARCK POLICE PENSION PLAN	143	10 YEARS OF SERVICE
0335A	LYNN HAVEN POLICE PENSION PLAN	27	10 YEARS OF SERVICE
0337A	LYNN HAVEN GENERAL EMPLOYEE PENSION PLAN	74	10 YEARS OF SERVICE
0340A	A.S.G GENERAL EMPLOYEES PLAN	4,050	10 YEARS OF SERVICE
0372A	EMPLOYEES RETIREMENT SYSTEM OF RHODE ISLAND	26,738	10 YEARS OF SERVICE
0372B	MUNICIPAL EMPLOYEES RETIREMENT SYSTEM	6,983	10 YEARS OF SERVICE
0372C	STATE POLICE RETIREMENT BENEFITS TRUST	130	10 YEARS OF SERVICE
0381A	CITY OF ALAMEDA POLICE AND FIRE RETIREMENT PLAN 1079 (CLOSED TO NEW MEMBERS)	0	10 YEARS OF SERVICE
0381B	CITY OF ALAMEDA POLICE & FIRE PLAN 1082 (CLOSED TO NEW MEMBERS)	0	10 YEARS OF SERVICE
0388A	TOWN OF AVON POLICE RETIREMENT PLAN	25	10 YEARS OF SERVICE
0406A	ROSEVILLE CITY EMPLOYEE'S RETIREMENT PLAN	308	10 YEARS OF SERVICE
0413A	CITY OF CADILLAC POLICEMEN AND FIREMENT RETIREMENT SYSTEM	29	10 YEARS OF SERVICE
0414A	CITY OF BIRMINGHAM (MI) EMPLOYEES RETIREMENT SYSTEM	197	10 YEARS OF SERVICE
0423A	STATE POLICE RETIREMENT SYSTEM OF NEW JERSEY	2,623	10 YEARS OF SERVICE
0425A	PRISON OFFICERS' PENSION FUND OF NEW JERSEY	0	10 YEARS OF SERVICE
0437A	CITY OF WHEELING EMPLOYEES' RETIREMENT AND BENEFIT FUND	240	10 YEARS OF SERVICE
0465A	LONG BEACH TRANSIT PENSION PLAN - SALARIED EMPLOYEES	117	10 YEARS OF SERVICE
0786A	VIRGIN ISLANDS GOVERNMENT EMPLOYEES' RETIREMENT PLAN	16,861	10 YEARS OF SERVICE
0072A	ARKANSAS TEACHERS' RETIREMENT SYSTEM	58,528	10 YEARS OF SERVICE (7/1/98 -5 YEARS)
0278A	CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM *	715,105	10 YEARS OF SERVICE FOR TIER 2/5 YEARS SERVICE FOR TIER 1
0121A	PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM	112,044	10 YEARS OF SERVICE OR 3 YEARS AT AGE 60
0235B	NEBRASKA PERS STATE PATROL RETIREMENT PLAN	386	10 YEARS OF SERVICE, SCHEDULE OF 20% PER YEAR FROM 6-10 YRS
0057C	WYOMING PAID FIREMEN'S PLAN	282	10 YEARS OF SERVICE FOR PLAN A; 4 YRS FOR PLAN B
0195H	MONTANA VOLUNTEER FIREFIGHTERS COMPENSATION ACT	2,537	10 YRS
0677A	Springfield Police & Fire Retirement System	500	10 YRS
0569A	City of Kingsford Police and Firemen Retirement System	20	10 yrs service
0174I	Washington Teachers' Retirement System -- Plan 3	35,284	age 65 with at least 10 years of service
0619A	Holyoke Contributory Retirement System	1,407	10 yrs srv/age 55 20 yrs srv/any age
0124A	CITY OF MIAMI BEACH FIRE & POLICE SUPPLEMENTAL PLAN CITY PENSION FUND.	486	100% AFTER 10 YEARS
0497A	Macon Water Authority Employee Pension Plan	200	vested with 10 yrs. service
0060B	STATE COLLEGE BOROUGH - POLICE PLAN	60	12 YEARS
0193B	KANSAS POLICE AND FIRE RETIREMENT SYSTEM	6,560	15 YEARS
0407D	FLINT EMPLOYEES RETIREMENT SYSTEM - MEDICAL CENTER	2,220	15 YEARS (10 AT AGE 55)
0174H	WASHINGTON JUDICIAL RETIREMENT SYSTEM	38	15 YEARS OF SERVICE
0418A	POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI	1,263	15 YEARS OF SERVICE
0376A	West Virginia Judges Retirement System (JRS)	52	16 years service
0183B	State of Michigan Defined Contribution Retirement Plan	234	2 years = 50% , 3 years = 75%, 4 yrs = 100%
0185B	State of Michigan Defined Contribution Retirement Plan	12,635	2 YOS = 50%, 3 YOS = 75%, 4 YOS = 100%
0009A	THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO	13,858	20 YEARS
0019A	OHIO STATE HIGHWAY PATROL RETIREMENT PLAN	1,545	20 YEARS
0759A	HOUSTON FIREFIGHTERS' RELIEF AND RETIREMENT FUND	3,276	20 YEARS
0372D	JUDICIAL RETIREMENT BENEFITS TRUST	29	20 YEARS AGE 65, OR 15 YEARS AGE 75
0025A	CLAIR T. SINGERMAN EMPLOYEE RETIREMENT SYSTEM	374	20 YEARS AND AGE 55
0092A	FIRE AND POLICE PENSION FUND, SAN ANTONIO	3,500	20 YEARS OF SERVICE
0190A	TEXAS COUNTY AND DISTRICT RETIREMENT PLAN	90,633	8, 10, OR 12 YEARS, AT PARTICIPATING EMPLOYER'S ELECTION
0386A	COLORADO COUNTY OFFICIALS & EMPLOYEES RET. ASSOC. PLANS	15,000	IMMEDIATE; 5 YR; 10 YR-AS ADOPTED BY COUNTIES, MUNICI., & SPEC. DISTRICTS
0043A	MN STATE RETIREMENT SYSTEM GENERAL EMPLOYEES' PLAN	47,920	3 YEARS
0043B	MN STATE RETIREMENT SYSTEM STATE TROOPERS' RETIREMENT PLAN	830	3 YEARS
0043C	MN STATE RETIREMENT SYSTEM CORRECTIONAL EMPLOYEES' PLAN	2,882	3 YEARS
0133A	MN PUBLIC EMPLOYEES' RETIREMENT ASSOC. - COORDINATED PLAN	135,560	3 YEARS
0133B	MN PUBLIC EMPLOYEES' RETIREMENT ASSOC. - POLICE & FIRE PLAN	9,627	3 YEARS
0462B	Employees' Retirement System of Montgomery County (DC Plan) Retirement Savings Plan	2,544	3 YEARS
0405A	MINNESOTA TEACHERS RETIREMENT ASSOCIATION	70,508	3 YEARS OF ALLOWABLE SERVICE

0023A	BURLINGTON EMPLOYEES' RET. SYSTEM FOR POLICE AND FIRE	165	3 YEARS OF SERVICE
0023B	BURLINGTON EMPLOYEES' RET. SYSTEM FOR GENERAL EMPLOYEES	534	3 YEARS OF SERVICE
0055A	NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT	10,025	3 YEARS OF SERVICE
0178A	SOUTH DAKOTA RETIREMENT SYSTEM	34,180	3 YEARS OF SERVICE
0006A	PERS OF MISSISSIPPI GENERAL PLAN	151,790	4 YEARS
0057D	WYOMING PUBLIC EMPLOYEES' SYSTEM	31,492	4 YEARS
0165E	UTAH FIREFIGHTER'S RETIREMENT SYSTEM	1,452	4 YEARS
0165A	UTAH PUBLIC EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM	3,972	4 YEARS OF SERVICE
0165B	UTAH PUBLIC EMPLOYEES' NON-CONTRIBUTORY RETIREMENT SYSTEM	81,894	4 YEARS OF SERVICE
0165C	UTAH PUBLIC SAFETY PLAN	6,839	4 YEARS OF SERVICE
0165F	UTAH GOVERNORS AND LEGISLATIVE PENSION PLAN	88	4 YEARS OF SERVICE
0452A	Municipal Fire & Police Retirement System of Iowa	3,843	4 years of service
0278B	CALIFORNIA LEGISLATORS' RETIREMENT SYSTEM	28	4 YEARS OF SERVICE CREDIT
0066A	EMPLOYEES' RETIREMENT SYSTEM OF TEXAS	152,167	5 YEARS
0376C	West Virginia Public Safety Death, Disability and Retirement Plan (Trooper Plan A)	360	5 years
0211A	MENDOCINO COUNTY ERA	1,347	5 YEARS
0278C	JUDGES' RETIREMENT SYSTEM I (JRS I)	1,091	5 YEARS
0376E	West Virginia Teacher's Retirement System (TRS)	25,278	5 years
0376F	West Virginia Public Employees Retirement System (PERS)	33,976	5 years contributory service
0013A	PA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM	234,210	5 YEARS OF SERVICE
0043D	MN STATE RETIREMENT SYSTEM JUDGES' RETIREMENT PLAN	282	5 YEARS OF SERVICE
0048B	KENTUCKY COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON HAZARDOUS	77,419	5 YEARS OF SERVICE
0048C	KENTUCKY EMPLOYEES' RETIRMENT SYSTEM - HAZARDOUS	4,007	5 YEARS OF SERVICE
0036A	MISSOURI LOCAL GOVERNMENT EMPLOYEES' RETIREMENT PLAN	28,491	5 YEARS OF SERVICE
0001A	PERS OF NEVADA GENERAL EMPLOYEES' PLAN	71,924	5 YEARS OF SERVICE
0001B	PERS OF NEVADA POLICE/FIRE EMPLOYEES' PLAN	8,910	5 YEARS OF SERVICE
0003A	SOUTH CAROLINA RETIREMENT SYSTEM - GENERAL PLAN	204,710	5 YEARS OF SERVICE
0003B	SOUTH CAROLINA RETIREMENT SYSTEM - POLICE OFFICERS' PLAN	24,827	5 YEARS OF SERVICE
0005B	RETIREMENT SYSTEMS OF ALABAMA JUDICIAL PLAN	351	5 YEARS OF SERVICE
0048D	KENTUCKY STATE POLICE RETIREMENT SYSTEM	1,023	5 YEARS OF SERVICE
0048E	KENTUCKY COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS	7,951	5 YEARS OF SERVICE
0058A	CHATHAM COUNTH EMPLOYEES' RETIREMENT PLAN	1,613	5 YEARS OF SERVICE
0060A	STATE COLLEGE BOROUGH - GENERAL PLAN	126	5 YEARS OF SERVICE
0062A	PORTLAND FIRE AND POLICE DISABILITY AND RETIREMENT FUND	1,546	5 YEARS OF SERVICE
0147A	PERS OF IDAHO - GENERAL MEMBERS	55,297	5 YEARS OF SERVICE
0147B	PERS OF IDAHO - POLICE/FIRE MEMBERS	5,091	5 YEARS OF SERVICE
0195G	MONTANA FIREFIGHTERS UNIFIED RETIREMENT SYSTEM	419	5 YEARS OF SERVICE
0376B	West Virginia Deputy Sheriff's Retirement System (DSRS)	468	5 years of service
0070A	TACOMA EMPLOYEES' RETIREMENT SYSTEM	2,814	5 YEARS OF SERVICE
0075A	Defined Benefit Plan for City Employees	6,655	5 YEARS OF SERVICE
0075B	City of Cincinnati Employees Retirement System	6,655	5 YEARS OF SERVICE
0079A	OHIO SCHOOL EMPLOYEES' RETIREMENT SYSTEM	113,811	5 YEARS OF SERVICE
0095A	FT. LAUDERDALE GENERAL EMPLOYEES RETIREMENT SYSTEM	1,363	5 YEARS OF SERVICE
0096A	TEACHER RETIREMENT SYSTEM OF TEXAS	0	5 YEARS OF SERVICE
0097A	LONG BEACH TRANSIT PENSION PLAN - CONTRACT EMPLOYEES	495	5 YEARS OF SERVICE
0104A	TENNESSEE CONSOLIDATED RETIREMENT SYSTEM	190,344	5 YEARS OF SERVICE
0107A	CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM DEFINED BENEFIT PLAN	385,530	5 YEARS OF SERVICE
0109A	TUCSON SUPPLEMENTAL RETIREMENT SYSTEM	3,484	5 YEARS OF SERVICE
0111A	PUBLIC SCHOOL TEACHERS' PENSION & RETIREMENT FUND OF CHICAGO	35,400	5 YEARS OF SERVICE
0113A	VIRGINIA RETIREMENT SYSTEM	286,234	5 YEARS OF SERVICE
0125A	PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO	162,106	5 YEARS OF SERVICE
0126A	FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM	1,570	5 YEARS OF SERVICE
0127A	FAIRFAX COUNTY SUPPLEMENTAL RETIREMENT SYSTEM	13,044	5 YEARS OF SERVICE
0128A	FAIRFAX COUNTY POLICE OFFICERS' RETIREMENT SYSTEM	1,115	5 YEARS OF SERVICE
0137A	NEW YORK STATE TEACHERS' RETIREMENT SYSTEM	224,986	5 YEARS OF SERVICE
0138A	MISSOURI STATE EMPLOYEES' RETIREMENT PLAN	57,774	5 YEARS OF SERVICE

0138D	MISSOURI STATE EMPLOYEES' PLAN 2000	0	5 years of service
0143A	ST LOUIS COUNTY LIBRARY DISTRICT EMPLOYEES' PENSION PLAN	316	5 YEARS OF SERVICE
0144A	OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM	158,988	5 YEARS OF SERVICE
0146A	LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOC. PLAN A GENERAL	7,560	5 YEARS OF SERVICE
0147C	PERS OF IDAHO - FIREFIGHTERS RETIREMENT FUND (CLOSED PLAN)	129	5 YEARS OF SERVICE
0154A	NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - GENERAL	17,231	5 YEARS OF SERVICE
0159A	FORT WORTH EMPLOYEES' RETIREMENT FUND	5,423	5 YEARS OF SERVICE
0174A	WASHINGTON PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PLAN I	28,167	5 YEARS OF SERVICE
0174B	WASHINGTON PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PLAN II	168,213	5 YEARS OF SERVICE
0174C	WASHINGTON TEACHERS' RETIREMENT SYSTEM - PLAN I	18,737	5 YEARS OF SERVICE
0174D	WASHINGTON TEACHERS' RETIREMENT SYSTEM - PLAN II/III	8,663	5 YEARS OF SERVICE
0174E	WASHINGTON LAW ENFORCEMENT AND FIRE FIGHTERS' PLAN I	1,743	5 YEARS OF SERVICE
0174F	WASHINGTON LAW ENFORCEMENT AND FIRE FIGHTERS' PLAN II	12,713	5 YEARS OF SERVICE
0174G	WASHINGTON STATE PATROL RETIREMENT SYSTEM	968	5 YEARS OF SERVICE
0177A	PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS	6,100	5 YEARS OF SERVICE
0194A	CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT PLAN - GENERAL	7,436	5 YEARS OF SERVICE
0194B	CONTRA COSTA COUNTY RETIREMENT SYSTEM - POLICE AND FIRE	1,674	5 YEARS OF SERVICE
0195A	MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	28,091	5 YEARS OF SERVICE
0195B	MONTANA GAME WARDENS AND PEACE OFFICERS RETIREMENT SYSTEM	494	5 YEARS OF SERVICE
0195C	MONTANA JUDGES RETIREMENT SYSTEM	46	5 YEARS OF SERVICE
0195D	MONTANA HIGHWAY PATROL OFFICERS RETIREMENT SYSTEM	190	5 YEARS OF SERVICE
0195E	MONTANA SHERIFFS RETIREMENT SYSTEM	611	5 YEARS OF SERVICE
0195F	MONTANA MUNICIPAL POLICE OFFICERS RETIREMENT SYSTEM	571	5 YEARS OF SERVICE
0202A	NEW YORK STATE & LOCAL EMPLOYEES' RET. SYSTEM - GENERAL	720,223	5 YEARS OF SERVICE
0202B	NEW YORK STATE & LOCAL POLICE AND FIRE RETIREMENT SYSTEM	31,955	5 YEARS OF SERVICE
0206A	MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION	2,968	5 YEARS OF SERVICE
0221A	EAST BAY MUNICIPAL UTILITY DISTRICT	1,853	5 YEARS OF SERVICE
0224D	LA COUNTY METRO TRANSIT AUTH. - NON-CONTRACT EMPLOYEE RIP	427	5 YEARS OF SERVICE
0231A	AURORA GENERAL EMPLOYEES RETIREMENT PLAN	1,493	5 YEARS OF SERVICE
0236A	NEBRASKA DEFINED CONTRIBUTION PLANS - STATE EMPLOYEES	14,689	5 YEARS OF SERVICE
0236B	NEBRASKA DEFINED CONTRIBUTION PLANS - COUNTY EMPLOYEES	6,872	5 YEARS OF SERVICE
0245A	STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS	72,365	5 YEARS OF SERVICE
0245B	STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS (DC PLAN)	5,680	5 YEARS OF SERVICE
0277A	CITY OF ST. LOUIS EMPLOYEE RETIREMENT PLAN	5,948	5 YEARS OF SERVICE
0278D	CALIFORNIA JUDGES RETIREMENT FUND (II)	445	5 YEARS OF SERVICE
0291A	MILWAUKEE COUNTY EMPLOYEES' RETIREMENT PLAN	7,246	5 YEARS OF SERVICE
0303A	ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	0	5 YEARS OF SERVICE
0315A	LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM	24,234	5 YEARS OF SERVICE
0321A	SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION	5,231	5 YEARS OF SERVICE
0325A	CITY OF GERMANTOWN EMPLOYEE RETIREMENT PLAN	377	5 YEARS OF SERVICE
0353A	DENVER EMPLOYEES RETIREMENT PLAN	10,821	5 YEARS OF SERVICE
0368A	Denver Public Schools Retirement System	7,182	5 YEARS OF SERVICE
0373A	PERA OF NEW MEXICO	54,647	5 YEARS OF SERVICE
0374A	STATE EMPLOYEES RETIREMENT SYSTEM OF MARYLAND	178,456	5 YEARS OF SERVICE
0379A	Kern County Employees' Retirement Association	7,109	5 years of service
0387A	CITY OF ENGLEWOOD NON-EMERGENCY PENSION PLAN	231	5 YEARS OF SERVICE
0387B	CITY OF ENGLEWOOD POLICE PENSION PLAN	11	5 YEARS OF SERVICE
0387C	CITY OF ENGLEWOOD FIREFIGHTER'S PENSION PLAN	10	5 YEARS OF SERVICE
0388B	TOWN OF AVON PUBLIC WORKS RETIREMENT PLAN	14	5 YEARS OF SERVICE
0388C	TOWN OF AVON NON-ORGANIZED RETIREMENT PLAN	32	5 YEARS OF SERVICE
0388D	TOWN OF AVON BOARD OF EDUCATION RETIREMENT PLAN	38	5 YEARS OF SERVICE
0388E	Town of Avon 401(a) f.t.Employees' Plan	26	5 YEARS OF SERVICE
0419A	CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF K.C., MO.	583	5 YEARS OF SERVICE
0422A	MONTANA TEACHERS' RETIREMENT SYSTEM	18,205	5 YEARS OF SERVICE
0424A	JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY	414	5 YEARS OF SERVICE
0449A	EMPLOYEES' RETIREMENT SYSTEM OF TULSA COUNTY, OKLAHOMA	1,389	5 YEARS OF SERVICE

0453A	CITY OF ARNOLD (MO) POLICE PENSION PLAN	46	5 YEARS OF SERVICE
0454A	SAN BERNARDINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION	15,858	5 YEARS OF SERVICE
0462A	Employees' Retirement System of Montgomery County	6,396	5 YEARS OF SERVICE
0737A	Town of Suffield Pension Plan	138	5 years of service
0146D	LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN D: GENERAL	31,300	5 YEARS OF SERVICE AND 10 YEARS OF MEMBERSHIP
0146F	LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN A SAFETY	2,005	5 YEARS OF SERVICE AND 10 YEARS OF MEMBERSHIP
0146G	LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN B SAFETY	9,259	5 YEARS OF SERVICE AND 10 YEARS OF MEMBERSHIP
0146B	LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN B: GENERAL	556	5 YEARS OF SERVICE, 10 YEARS OF MEMBERSHIP
0146C	LOS ANGELES COUNTY EMPLOYEES' RET. ASSOC., PLAN C: GENERAL	413	5 YEARS OF SERVICE, 10 YEARS OF MEMBERSHIP
0063A	TEACHERS' RETIREMENT SYSTEMS OF ILLINOIS	144,975	5 YEARS OF SERVICE; ALSO SINGLE-SUM BENEFIT PAYABLE AT 65 IF < 5 YEARS
0034A	ARKANSAS LOCAL POLICE & FIRE RETIREMENT SYSTEM	7,983	5 YRS
0700A	Defined Benefit - Douglas County Employees Retirement Trust	0	5 yrs
0542A	City of St Petersburg Employee Retirement System	1,796	5 yrs of service
0160A	VIA METROPOLITAN TRANSIT RETIREMENT PLAN	1,409	50% VESTED AT 5 YEARS, GRADED TO 100% AT 10 YEARS OF SERVICE
0043E	MN STATE RETIREMENT SYSTEM LEGISLATORS' RETIREMENT PLAN	173	6 YEARS
0057A	WYOMING WARDEN AND PATROL RETIREMENT PLAN	260	6 YEARS
0165D	UTAH JUDGES' RETIREMENT SYSTEM	104	6 YEARS OF SERVICE
0310A	Iowa Judicial Retirement Fund	194	6 years of service
0007C	ILLINOIS JUDGES' RETIREMENT SYSTEM	908	6 YEARS OF SERVICE (AGE 62); 10 YEARS OF SERVICE (AGE 60); 2 YEARS OF SERVICE (AC
0145A	PERS OF OHIO - STATE AND LOCAL DIVISION	392,530	60 CONTRIBUTING MONTHS
0145B	PERS OF OHIO - LAW ENFORCEMENT DIVISION	7,389	60 CONTRIBUTING MONTHS
0156A	WICHITA EMPLOYEES' RETIREMENT PLAN	1,018	7 YEARS OF SERVICE
0156C	Wichita Employees' Retirement System Plan 3	878	7 years of service
0217A	LANSING BOARD OF WATER AND LIGHT EMPLOYEES'DEFINED BENEFIT PLAN	121	7 YEARS OF SERVICE
0217B	LANSING BOARD OF WATER AND LIGHT DEFINED CONTRIBUTION PENSION PLANS	636	7 YEARS OF SERVICE
0542B	City of St Petersburg Firefighters Retirement System	298	7 years of service
0542C	City of St Petersburg Police Officers Retirement System	457	7 years of service
0371A	SHELBY COUNTY RETIREMENT SYSTEM	6,271	7 1/2 YEARS OF SERVICE
0007A	ILLINOIS STATE EMPLOYEES' RETIREMENT SYSTEM	80,676	8 YEARS
0037A	KALAMAZOO COUNTY EMPLOYEES' RETIREMENT PLAN	1,064	8 YEARS
0043F	MN STATE RET. SYSTEM ELECTIVE OFFICERS' RET. PLAN	0	8 YEARS
0064D	EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA - LEGISLATIVE	210	8 YEARS
0110A	ILLINOIS MUNICIPAL RETIREMENT FUND	157,816	8 YEARS
0169A	OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM	42,886	8 YEARS
0173A	WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM	5,407	8 YEARS
0183A	MICHIGAN JUDGES RETIREMENT SYSTEM	399	8 YEARS
0007B	ILLINOIS GENERAL ASSEMBLY RETIREMENT SYSTEM	181	8 YEARS (AGE 55); 4 YEARS (AGE 62)
0289A	GOGEBIC COUNTY EMPLOYEES RETIREMENT PLAN	375	8 YEARS OF SERVICE
0304A	ALASKA TEACHERS' RETIREMENT SYSTEM	9,164	8 YEARS OF SERVICE
0329A	CITY OF GRAND RAPIDS GENERAL EMPLOYEES' RETIREMENT SYSTEM	1,176	8 YEARS OF SERVICE
0451A	ELK COUNTY EMPLOYEES' RETIREMENT PLAN	132	8 YEARS OF SERVICE
0474A	VILLAGE OF MOUNT PROSPECT-POLICE	82	8 YEARS OF SERVICE
0195I	MONTANA PUBLIC EMPLOYEES' RETIREMENT DEFERRED COMPENSATION	7,048	ACCOUNT BALANCES ARE FULLY VESTED AT TIME OF DEPOSIT
0087B	NEW HAMPSHIRE RETIREMENT SYSTEM - TEACHERS' PLAN	14,114	AGE 60 W/ ANY YEARS
0235A	NEBRASKA PERS SCHOOL PLAN	34,718	AGE 65 WITH 5 YEARS CREDITED SERVICE; AGE 65 REGARDLESS OF SERVICE
0426A	CONSOLIDATED POLICE & FIREMEN'S PENSION FUND OF NEW JERSEY (CPFPF)	43,331	CLOSED PLAN, NO ACTIVE MEMBERS
0098A	WISCONSIN RETIREMENT SYSTEM	258,195	IMMEDIATE VESTING
0107B	CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM CASH BALANCE PROGRAM	9,552	IMMEDIATE VESTING
0138B	MISSOURI ADMINISTRATIVE LAW JUDGES' RETIREMENT PLAN	52	IMMEDIATE VESTING
0138C	MISSOURI REGULAR JUDGES' RETIREMENT PLAN	375	IMMEDIATE VESTING
0235C	NEBRASKA PERS JUDGES' RETIREMENT PLAN	157	IMMEDIATE VESTING
0505A	VILLAGE OF BOLINGBROOK POLICE PENSION PLAN	86	IMMEDIATE VESTING
0542D	City of St Petersburg	100	immediate vesting
0057B	WYOMING VOLUNTEER FIREMEN'S PLAN	2,118	MUST BE VOLUNTEER UNTIL AGE 60
0090A	Charlotte Firefighters' Retirement Plan	0	
0534A	Miami Shores General Employees Retirement Plan	0	

0650A	Fairfax County Water Authority Retirement Plan	0
0655A	Spokane Employees' Retirement Plan	0
	Number of plans with vesting requirements of 10 or more years	96
	Active members of plans with vesting requirements of 10 or more years	3,662,540
	Number of plans with vesting requirements of less than 10 years	172
	Active members of plans with vesting requirements of less than 10 years	5,988,342
	Number of plans with vesting requirements of 5 years or less	132
	Active members of plans with vesting requirements of 5 years or less	4,908,400

* About 50,000 members in Tier 2

HOUSE BILL 2540

State of Washington

58th Legislature

2004 Regular Session

By Representatives Alexander, Conway and Fromhold; by request of
Select Committee on Pension Policy

Read first time . Referred to .

1 AN ACT Relating to vesting after five years of service in the
2 defined benefit portion of the public employees' retirement system, the
3 school employees' retirement system, and the teachers' retirement
4 system plan 3; and amending RCW 41.32.875, 41.35.680, and 41.40.820.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.32.875 and 2000 c 247 s 903 are each amended to
7 read as follows:

8 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
9 and who has((÷

10 (a)) completed ((ten)) five service credit years((÷or

11 ~~(b) Completed five service credit years, including twelve service~~
12 ~~credit months after attaining age fifty four; or~~

13 (e)) or completed five service credit years by July 1, 1996, under
14 plan 2 and who transferred to plan 3 under RCW 41.32.817((÷))
15 shall be eligible to retire and to receive a retirement allowance
16 computed according to the provisions of RCW 41.32.840.

17 (2) EARLY RETIREMENT. Any member who has attained at least age
18 fifty-five and has completed at least ten years of service shall be
19 eligible to retire and to receive a retirement allowance computed

1 according to the provisions of RCW 41.32.840, except that a member
2 retiring pursuant to this subsection shall have the retirement
3 allowance actuarially reduced to reflect the difference in the number
4 of years between age at retirement and the attainment of age sixty-
5 five.

6 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
7 least thirty service credit years and has attained age fifty-five shall
8 be eligible to retire and to receive a retirement allowance computed
9 according to the provisions of RCW 41.32.840, except that a member
10 retiring pursuant to this subsection shall have the retirement
11 allowance reduced by three percent per year to reflect the difference
12 in the number of years between age at retirement and the attainment of
13 age sixty-five.

14 **Sec. 2.** RCW 41.35.680 and 2000 c 247 s 906 are each amended to
15 read as follows:

16 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
17 and who has((÷

18 ~~(a))~~ completed ~~((ten))~~ five service credit years~~((÷or~~

19 ~~(b) Completed five service credit years, including twelve service~~
20 ~~credit months after attaining age fifty four; or~~

21 ~~(c))~~ or completed five service credit years by September 1, 2000,
22 under the public employees' retirement system plan 2 and who
23 transferred to plan 3 under RCW 41.35.510((÷))
24 shall be eligible to retire and to receive a retirement allowance
25 computed according to the provisions of RCW 41.35.620.

26 (2) EARLY RETIREMENT. Any member who has attained at least age
27 fifty-five and has completed at least ten years of service shall be
28 eligible to retire and to receive a retirement allowance computed
29 according to the provisions of RCW 41.35.620, except that a member
30 retiring pursuant to this subsection shall have the retirement
31 allowance actuarially reduced to reflect the difference in the number
32 of years between age at retirement and the attainment of age sixty-
33 five.

34 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
35 least thirty service credit years and has attained age fifty-five shall
36 be eligible to retire and to receive a retirement allowance computed
37 according to the provisions of RCW 41.35.620, except that a member

1 retiring pursuant to this subsection shall have the retirement
2 allowance reduced by three percent per year to reflect the difference
3 in the number of years between age at retirement and the attainment of
4 age sixty-five.

5 **Sec. 3.** RCW 41.40.820 and 2000 c 247 s 309 are each amended to
6 read as follows:

7 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
8 and who has((÷

9 ~~(a)) completed ((ten)) five service credit years((÷or~~
10 ~~(b) Completed five service credit years, including twelve service~~
11 ~~credit months after attaining age fifty-four; or~~

12 ~~(c)) or completed five service credit years by the transfer~~
13 payment date specified in RCW 41.40.795, under the public employees'
14 retirement system plan 2 and who transferred to plan 3 under RCW
15 41.40.795((÷))

16 shall be eligible to retire and to receive a retirement allowance
17 computed according to the provisions of RCW 41.40.790.

18 (2) EARLY RETIREMENT. Any member who has attained at least age
19 fifty-five and has completed at least ten years of service shall be
20 eligible to retire and to receive a retirement allowance computed
21 according to the provisions of RCW 41.40.790, except that a member
22 retiring pursuant to this subsection shall have the retirement
23 allowance actuarially reduced to reflect the difference in the number
24 of years between age at retirement and the attainment of age sixty-
25 five.

26 (3) ALTERNATE EARLY RETIREMENT. Any member who has completed at
27 least thirty service credit years and has attained age fifty-five shall
28 be eligible to retire and to receive a retirement allowance computed
29 according to the provisions of RCW 41.40.790, except that a member
30 retiring pursuant to this subsection shall have the retirement
31 allowance reduced by three percent per year to reflect the difference
32 in the number of years between age at retirement and the attainment of
33 age sixty-five.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

1/16/04

HB 2540/SB 6247

SUMMARY OF BILL:

This bill impacts the Teachers Retirement System (TRS), School Employee's Retirement System (SERS), and Public Employee's Retirement System (PERS) Plans 3 by lowering the vesting period for the defined benefit portion of these plans from ten years to five.

Effective Date: 90 days after session.

CURRENT SITUATION:

New Plan 3 members of TRS, SERS, and PERS are vested in the defined benefit portion of their Plan after ten years of service, or after five years of service if 12 months of that service is earned after attaining age 54. Plan 3 members are immediately vested in the defined contribution side of their Plan. Those who transferred from Plan 2 to Plan 3 were automatically vested if they had five years of service in Plan 2 as of July 1, 1996, September 1, 2000 and June 1, 2003, the initial transfer dates for TRS, SERS and PERS respectively.

MEMBERS IMPACTED:

The counts of active vested and non-vested members are shown below. Not included in these counts are terminated non-vested members who would add to the total should they become re-employed. As of the most recent valuation, nearly 48,600 plan 3 members had less than 10 years of service or were not vested in plan 2 on July 1, 1996 in TRS, September 1, 2000 in SERS or June 1, 2003 in PERS, or did not have 5 years of service including 12 months after age 54. Any of these non-vested members would be affected by this bill if they were to quit with between 5 to 10 years of service and before they earned 12 months of service after age 54.

System / Plan	Vested	Non-Vested
PERS 3	10,455	5,054
TRS 3	17,154	28,644
SERS 3	12,025	14,896

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the affected systems by increasing the present value of benefits payable under the System (for existing members impacted by this bill) and the required actuarial contribution rate as shown below:

<i>(Dollars in Millions)</i>		Current	Increase	Total
Actuarial Present Value of Projected Benefits				
(The Value of the Total Commitment to all Current Members)				
	PERS 2/3	\$ 13,093	\$ 3	\$ 13,096
	TRS 2/3	\$ 4,422	\$ 11	\$ 4,433
	SERS 2/3	\$ 1,804	\$ 7	\$ 1,811
Unfunded Actuarial Accrued Liability		NA	NA	NA
(The Portion of the Plan 1 Liability that is Amortized at 2024)				
Unfunded Liability (PBO)				
(The Value of the Total Commitment to all Current Members Attributable to Past Service)				
	PERS 2/3	\$ (3,924)	\$ 1	\$ (3,923)
	TRS 2/3	\$ (1,715)	\$ 5	\$ (1,710)
	SERS 2/3	\$ (620)	\$ 3	\$ (617)

Increase in Contribution Rates:

(Effective 9/01/2004)

Employee (plan 2 members only)	PERS 2/3	0.01%
	TRS 2/3	0.03%
	SERS 2/3	0.05%
Employer State	PERS 2/3	0.01%
	TRS 2/3	0.03%
	SERS 2/3	0.05%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures (for existing members impacted by this bill) is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2004-2005				
State:				
General Fund	\$0.1	\$0.7	\$0.3	\$1.1
Non-General Fund	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>
Total State	0.3	0.7	0.3	1.3
Local Government	0.3	0.1	0.3	0.7
Total Employer	0.6	0.8	0.6	2.0
 Total Employee	 \$0.5	 \$0.1	 \$0.2	 \$0.8
2005-2007				
State:				
General Fund	\$0.3	\$2.0	\$0.8	\$3.1
Non-General Fund	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.5</u>
Total State	0.8	2.0	0.8	3.6
Local Government	0.7	0.4	0.7	1.8
Total Employer	1.5	2.4	1.5	5.4
 Total Employee	 \$1.2	 \$0.1	 \$0.4	 \$1.7
2004-2029				
State:				
General Fund	\$8.1	\$47.2	\$19.4	\$74.7
Non-General Fund	<u>13.3</u>	<u>0.0</u>	<u>0.0</u>	<u>13.3</u>
Total State	21.4	47.2	19.4	88.0
Local Government	18.8	9.5	17.2	45.5
Total Employer	40.2	56.7	36.6	133.5
 Total Employee	 \$23.4	 \$0.2	 \$2.1	 \$25.7

State Actuary's Comments:

This bill does not modify the employee/employer level of cost sharing as defined in the actuarial funding chapter - Chapter 41.45 RCW. As a result, the cost of this plan 3 benefit enhancement is shared equally among plan 2/3 employers and plan 2 employees.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2002 actuarial valuation report of the Teachers Retirement System, School Employee's Retirement System, and Public Employee's Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: None.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2004 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces:

- The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL.
- The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by Plan assets.

Select Committee on Pension Policy

Part-Time Educational Staff Associates

(June 7, 2004)

Issue

Of all the part-time certified educational staff associates (ESAs) in the Teachers Retirement System (TRS) Plan 1, only counselors are allowed to annualize their salaries when calculating their average final compensation; this assures that they receive proportionate retirement benefits. Other part-time ESAs are not allowed to annualize their salaries and thus receive lower benefits.

Staff

Robert Wm. Baker (360) 586-9237

Members Impacted

As of the most recent valuation, there were 41 part-time ESAs in TRS Plan 1.

Current Situation

Current TRS 1 statutes allow less-than-full-time members who spend more than seventy-five percent of their time as classroom instructors, librarians, or counselors to annualize their salaries upon retirement so as to receive proportionate retirement benefits. School Counselors are Certified ESAs, and are the only category of ESAs allowed to annualize their salaries in the same manner as teachers and librarians. Other categories of ESAs include Psychologists, Social Workers, Nurses, Physical Therapists, Occupational Therapists and Speech Language Pathologists or Audiologists. None of these latter categories are currently allowed to annualize their salaries in order to receive proportionate retirement benefits for less-than-full-time service.

According to the Superintendent of Public Instruction, the educational standards and certification course for these positions may be more rigorous than that of teachers. Counselors, psychologists, social workers and speech language pathologists/audiologists all require a Master's degree plus passage of a state-approved 30-hour certification course. Occupational therapists, physical therapists, and nurses require a Bachelor's degree plus the same 30-hour certification course.

The Legislative Evaluation and Accountability Program (LEAP) quantifies the education and training requirements for these positions in a "mix factor." A position with a mix factor of 1 requires a Bachelor's degree and no experience. In the latest School District Personnel Summary Profiles for the 2002-2003 school year, the mix factors for ESAs averaged 1.67 while the mix factor for teachers averaged 1.58.

History

The SCPP requested HB 2542 which was introduced in the 2004 session. This legislation would have allowed all part-time ESAs to annualize their salaries upon retirement in order to receive proportionate benefits. The bill passed the House but stalled in Senate Rules.

Example

Under current law an ESA who is not a counselor and who works half time for 30 years receives half the retirement benefit of a counselor despite making the same salary and contributions.

	Full-Time ESA	Half-Time Counselor	Half-Time Nurse
Salary	\$50,000	\$25,000	\$25,000
Annual Contributions	\$3,000	\$1,500	\$1,500
Retirement Benefit	\$30,000	\$15,000	\$7,500

Policy Analysis

Among the retirement policies in Washington State is the policy to provide similar benefits wherever possible. That the provisions in TRS 1 makes such a differentiation among plan members based solely on occupation runs counter to the above policy and may have been in error.

This existing TRS 1 provision may also be in conflict with the policy that seeks to prevent the stated policy. Based on the contributions made to the plan, a member working half-time would be due half the benefit of a member working full-time. That a select group of half-time members actually receive one-fourth the benefit of a full-time member appears to be in conflict with the above policy.

Options

Only one option is proposed: to allow all currently excluded part-time ESAs in TRS 1 to annualize their salaries for determining their average final compensation and thus receive proportionate retirement benefits.

Stakeholder Input

See attachment from Professional Educator Standards Board dated October 29, 2002.

Executive Committee Recommendation

On April 20, 2004, this matter was recommended for consideration by Executive Committee motion of the Select Committee on Pension Policy.

Bill (Draft)

See attachment

Fiscal Note (Draft)

See attachment

HOUSE BILL 2542

State of Washington

58th Legislature

2004 Regular Session

By Representatives Fromhold, Alexander and Conway; by request of
Select Committee on Pension Policy

Read first time . Referred to .

1 AN ACT Relating to allowing members of the teachers' retirement
2 system plan 1 who are employed less than full time as psychologists,
3 social workers, nurses, physical therapists, occupational therapists,
4 or speech language pathologists or audiologists to annualize their
5 salaries when calculating their average final compensation; and
6 amending RCW 41.32.010.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 41.32.010 and 2003 c 31 s 1 are each amended to read
9 as follows:

10 As used in this chapter, unless a different meaning is plainly
11 required by the context:

12 (1)(a) "Accumulated contributions" for plan 1 members, means the
13 sum of all regular annuity contributions and, except for the purpose of
14 withdrawal at the time of retirement, any amount paid under RCW
15 41.50.165(2) with regular interest thereon.

16 (b) "Accumulated contributions" for plan 2 members, means the sum
17 of all contributions standing to the credit of a member in the member's
18 individual account, including any amount paid under RCW 41.50.165(2),
19 together with the regular interest thereon.

1 (2) "Actuarial equivalent" means a benefit of equal value when
2 computed upon the basis of such mortality tables and regulations as
3 shall be adopted by the director and regular interest.

4 (3) "Annuity" means the moneys payable per year during life by
5 reason of accumulated contributions of a member.

6 (4) "Member reserve" means the fund in which all of the accumulated
7 contributions of members are held.

8 (5)(a) "Beneficiary" for plan 1 members, means any person in
9 receipt of a retirement allowance or other benefit provided by this
10 chapter.

11 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
12 in receipt of a retirement allowance or other benefit provided by this
13 chapter resulting from service rendered to an employer by another
14 person.

15 (6) "Contract" means any agreement for service and compensation
16 between a member and an employer.

17 (7) "Creditable service" means membership service plus prior
18 service for which credit is allowable. This subsection shall apply
19 only to plan 1 members.

20 (8) "Dependent" means receiving one-half or more of support from a
21 member.

22 (9) "Disability allowance" means monthly payments during
23 disability. This subsection shall apply only to plan 1 members.

24 (10)(a) "Earnable compensation" for plan 1 members, means:

25 (i) All salaries and wages paid by an employer to an employee
26 member of the retirement system for personal services rendered during
27 a fiscal year. In all cases where compensation includes maintenance
28 the employer shall fix the value of that part of the compensation not
29 paid in money.

30 (ii) For an employee member of the retirement system teaching in an
31 extended school year program, two consecutive extended school years, as
32 defined by the employer school district, may be used as the annual
33 period for determining earnable compensation in lieu of the two fiscal
34 years.

35 (iii) "Earnable compensation" for plan 1 members also includes the
36 following actual or imputed payments, which are not paid for personal
37 services:

1 (A) Retroactive payments to an individual by an employer on
2 reinstatement of the employee in a position, or payments by an employer
3 to an individual in lieu of reinstatement in a position which are
4 awarded or granted as the equivalent of the salary or wages which the
5 individual would have earned during a payroll period shall be
6 considered earnable compensation and the individual shall receive the
7 equivalent service credit.

8 (B) If a leave of absence, without pay, is taken by a member for
9 the purpose of serving as a member of the state legislature, and such
10 member has served in the legislature five or more years, the salary
11 which would have been received for the position from which the leave of
12 absence was taken shall be considered as compensation earnable if the
13 employee's contribution thereon is paid by the employee. In addition,
14 where a member has been a member of the state legislature for five or
15 more years, earnable compensation for the member's two highest
16 compensated consecutive years of service shall include a sum not to
17 exceed thirty-six hundred dollars for each of such two consecutive
18 years, regardless of whether or not legislative service was rendered
19 during those two years.

20 (iv) For members employed less than full time under written
21 contract with a school district, or community college district, in an
22 instructional position, for which the member receives service credit of
23 less than one year in all of the years used to determine the earnable
24 compensation used for computing benefits due under RCW 41.32.497,
25 41.32.498, and 41.32.520, the member may elect to have earnable
26 compensation defined as provided in RCW 41.32.345. For the purposes of
27 this subsection, the term "instructional position" means a position in
28 which more than seventy-five percent of the member's time is spent as
29 a classroom instructor (including office hours), a librarian, a
30 psychologist, a social worker, a nurse, a physical therapist, an
31 occupational therapist, a speech language pathologist or audiologist,
32 or a counselor. Earnable compensation shall be so defined only for the
33 purpose of the calculation of retirement benefits and only as necessary
34 to insure that members who receive fractional service credit under RCW
35 41.32.270 receive benefits proportional to those received by members
36 who have received full-time service credit.

37 (v) "Earnable compensation" does not include:

1 (A) Remuneration for unused sick leave authorized under RCW
2 41.04.340, 28A.400.210, or 28A.310.490;

3 (B) Remuneration for unused annual leave in excess of thirty days
4 as authorized by RCW 43.01.044 and 43.01.041.

5 (b) "Earnable compensation" for plan 2 and plan 3 members, means
6 salaries or wages earned by a member during a payroll period for
7 personal services, including overtime payments, and shall include wages
8 and salaries deferred under provisions established pursuant to sections
9 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
10 shall exclude lump sum payments for deferred annual sick leave, unused
11 accumulated vacation, unused accumulated annual leave, or any form of
12 severance pay.

13 "Earnable compensation" for plan 2 and plan 3 members also includes
14 the following actual or imputed payments which, except in the case of
15 (b)(ii)(B) of this subsection, are not paid for personal services:

16 (i) Retroactive payments to an individual by an employer on
17 reinstatement of the employee in a position or payments by an employer
18 to an individual in lieu of reinstatement in a position which are
19 awarded or granted as the equivalent of the salary or wages which the
20 individual would have earned during a payroll period shall be
21 considered earnable compensation, to the extent provided above, and the
22 individual shall receive the equivalent service credit.

23 (ii) In any year in which a member serves in the legislature the
24 member shall have the option of having such member's earnable
25 compensation be the greater of:

26 (A) The earnable compensation the member would have received had
27 such member not served in the legislature; or

28 (B) Such member's actual earnable compensation received for
29 teaching and legislative service combined. Any additional
30 contributions to the retirement system required because compensation
31 earnable under (b)(ii)(A) of this subsection is greater than
32 compensation earnable under (b)(ii)(B) of this subsection shall be paid
33 by the member for both member and employer contributions.

34 (11) "Employer" means the state of Washington, the school district,
35 or any agency of the state of Washington by which the member is paid.

36 (12) "Fiscal year" means a year which begins July 1st and ends June
37 30th of the following year.

1 (13) "Former state fund" means the state retirement fund in
2 operation for teachers under chapter 187, Laws of 1923, as amended.

3 (14) "Local fund" means any of the local retirement funds for
4 teachers operated in any school district in accordance with the
5 provisions of chapter 163, Laws of 1917 as amended.

6 (15) "Member" means any teacher included in the membership of the
7 retirement system. Also, any other employee of the public schools who,
8 on July 1, 1947, had not elected to be exempt from membership and who,
9 prior to that date, had by an authorized payroll deduction, contributed
10 to the member reserve.

11 (16) "Membership service" means service rendered subsequent to the
12 first day of eligibility of a person to membership in the retirement
13 system: PROVIDED, That where a member is employed by two or more
14 employers the individual shall receive no more than one service credit
15 month during any calendar month in which multiple service is rendered.
16 The provisions of this subsection shall apply only to plan 1 members.

17 (17) "Pension" means the moneys payable per year during life from
18 the pension reserve.

19 (18) "Pension reserve" is a fund in which shall be accumulated an
20 actuarial reserve adequate to meet present and future pension
21 liabilities of the system and from which all pension obligations are to
22 be paid.

23 (19) "Prior service" means service rendered prior to the first date
24 of eligibility to membership in the retirement system for which credit
25 is allowable. The provisions of this subsection shall apply only to
26 plan 1 members.

27 (20) "Prior service contributions" means contributions made by a
28 member to secure credit for prior service. The provisions of this
29 subsection shall apply only to plan 1 members.

30 (21) "Public school" means any institution or activity operated by
31 the state of Washington or any instrumentality or political subdivision
32 thereof employing teachers, except the University of Washington and
33 Washington State University.

34 (22) "Regular contributions" means the amounts required to be
35 deducted from the compensation of a member and credited to the member's
36 individual account in the member reserve. This subsection shall apply
37 only to plan 1 members.

1 (23) "Regular interest" means such rate as the director may
2 determine.

3 (24)(a) "Retirement allowance" for plan 1 members, means monthly
4 payments based on the sum of annuity and pension, or any optional
5 benefits payable in lieu thereof.

6 (b) "Retirement allowance" for plan 2 and plan 3 members, means
7 monthly payments to a retiree or beneficiary as provided in this
8 chapter.

9 (25) "Retirement system" means the Washington state teachers'
10 retirement system.

11 (26)(a) "Service" for plan 1 members means the time during which a
12 member has been employed by an employer for compensation.

13 (i) If a member is employed by two or more employers the individual
14 shall receive no more than one service credit month during any calendar
15 month in which multiple service is rendered.

16 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
17 sick leave may be creditable as service solely for the purpose of
18 determining eligibility to retire under RCW 41.32.470.

19 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
20 state retirement system that covers teachers in public schools may be
21 applied solely for the purpose of determining eligibility to retire
22 under RCW 41.32.470.

23 (b) "Service" for plan 2 and plan 3 members, means periods of
24 employment by a member for one or more employers for which earnable
25 compensation is earned subject to the following conditions:

26 (i) A member employed in an eligible position or as a substitute
27 shall receive one service credit month for each month of September
28 through August of the following year if he or she earns earnable
29 compensation for eight hundred ten or more hours during that period and
30 is employed during nine of those months, except that a member may not
31 receive credit for any period prior to the member's employment in an
32 eligible position except as provided in RCW 41.32.812 and 41.50.132;

33 (ii) If a member is employed either in an eligible position or as
34 a substitute teacher for nine months of the twelve month period between
35 September through August of the following year but earns earnable
36 compensation for less than eight hundred ten hours but for at least six
37 hundred thirty hours, he or she will receive one-half of a service
38 credit month for each month of the twelve month period;

1 (iii) All other members in an eligible position or as a substitute
2 teacher shall receive service credit as follows:

3 (A) A service credit month is earned in those calendar months where
4 earnable compensation is earned for ninety or more hours;

5 (B) A half-service credit month is earned in those calendar months
6 where earnable compensation is earned for at least seventy hours but
7 less than ninety hours; and

8 (C) A quarter-service credit month is earned in those calendar
9 months where earnable compensation is earned for less than seventy
10 hours.

11 (iv) Any person who is a member of the teachers' retirement system
12 and who is elected or appointed to a state elective position may
13 continue to be a member of the retirement system and continue to
14 receive a service credit month for each of the months in a state
15 elective position by making the required member contributions.

16 (v) When an individual is employed by two or more employers the
17 individual shall only receive one month's service credit during any
18 calendar month in which multiple service for ninety or more hours is
19 rendered.

20 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
21 sick leave may be creditable as service solely for the purpose of
22 determining eligibility to retire under RCW 41.32.470. For purposes of
23 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
24 to two service credit months. Use of less than forty-five days of sick
25 leave is creditable as allowed under this subsection as follows:

26 (A) Less than eleven days equals one-quarter service credit month;

27 (B) Eleven or more days but less than twenty-two days equals one-
28 half service credit month;

29 (C) Twenty-two days equals one service credit month;

30 (D) More than twenty-two days but less than thirty-three days
31 equals one and one-quarter service credit month;

32 (E) Thirty-three or more days but less than forty-five days equals
33 one and one-half service credit month.

34 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
35 state retirement system that covers teachers in public schools may be
36 applied solely for the purpose of determining eligibility to retire
37 under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

1 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
2 through September 1, 1991, means a position which normally requires two
3 or more uninterrupted months of creditable service during September
4 through August of the following year.

5 (b) "Eligible position" for plan 2 and plan 3 on and after
6 September 1, 1991, means a position that, as defined by the employer,
7 normally requires five or more months of at least seventy hours of
8 earnable compensation during September through August of the following
9 year.

10 (c) For purposes of this chapter an employer shall not define
11 "position" in such a manner that an employee's monthly work for that
12 employer is divided into more than one position.

13 (d) The elected position of the superintendent of public
14 instruction is an eligible position.

15 (38) "Plan 1" means the teachers' retirement system, plan 1
16 providing the benefits and funding provisions covering persons who
17 first became members of the system prior to October 1, 1977.

18 (39) "Plan 2" means the teachers' retirement system, plan 2
19 providing the benefits and funding provisions covering persons who
20 first became members of the system on and after October 1, 1977, and
21 prior to July 1, 1996.

22 (40) "Plan 3" means the teachers' retirement system, plan 3
23 providing the benefits and funding provisions covering persons who
24 first become members of the system on and after July 1, 1996, or who
25 transfer under RCW 41.32.817.

26 (41) "Index" means, for any calendar year, that year's annual
27 average consumer price index, Seattle, Washington area, for urban wage
28 earners and clerical workers, all items compiled by the bureau of labor
29 statistics, United States department of labor.

30 (42) "Index A" means the index for the year prior to the
31 determination of a postretirement adjustment.

32 (43) "Index B" means the index for the year prior to index A.

33 (44) "Index year" means the earliest calendar year in which the
34 index is more than sixty percent of index A.

35 (45) "Adjustment ratio" means the value of index A divided by index
36 B.

37 (46) "Annual increase" means, initially, fifty-nine cents per month

1 per year of service which amount shall be increased each July 1st by
2 three percent, rounded to the nearest cent.

3 (47) "Member account" or "member's account" for purposes of plan 3
4 means the sum of the contributions and earnings on behalf of the member
5 in the defined contribution portion of plan 3.

6 (48) "Separation from service or employment" occurs when a person
7 has terminated all employment with an employer.

8 (49) "Employed" or "employee" means a person who is providing
9 services for compensation to an employer, unless the person is free
10 from the employer's direction and control over the performance of work.
11 The department shall adopt rules and interpret this subsection
12 consistent with common law.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	1/16/04	HB 2542/SB 6250

SUMMARY OF BILL:

This bill impacts the Teachers' Retirement System (TRS) Plan 1 by allowing Certified Educational Staff Associates (ESAs) to annualize their salaries when calculating their average final compensation so they may receive proportionate retirement benefits.

Effective Date: 90 days after session

CURRENT SITUATION:

Current TRS 1 statutes allow less-than-full-time members who spend more than seventy-five percent of their time as classroom instructors, librarians or counselors to annualize their salaries upon retirement so as to receive proportionate retirement benefits. School counselors are Certified ESAs, and are the only category of ESAs allowed to annualize their salaries in the same manner as teachers and librarians. Other categories of ESAs (not allowed to annualize their salaries) include Psychologists, Social Workers, Nurses, Physical Therapists and Speech Language Pathologists or Audiologists.

MEMBERS IMPACTED:

We estimate that 41 TRS 1 active members out of the total 12,456 active members of this system would be affected by this bill.

We estimate that for a typical member impacted by this bill, the increase in benefits would be to double their benefit (based on annualizing their pay using their service credit - the actual annualizing could be different). These 41 members currently have 12.4 years of service and estimated average final compensation of \$25,283 and a benefit of \$6,275 before this change. After this change their estimated average final compensation would be \$46,812 and their current benefit would increase to \$11,619.

ASSUMPTIONS:

In absence of individual member data we assumed that the member's pay would increase in proportion to their fractional service credit. In other words, a member who currently receives half a year of service credit would have their average final compensation doubled for this purpose.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

<i>(Dollars in Millions)</i>	Teachers Retirement System Plan 1		
	Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	\$10,209	\$2.6	\$10,212
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	\$586	\$2.6	\$589
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	\$236	\$2.1	\$238

Increase in Contribution Rates:

Employee	0.0046%
Employer State	0.0046%

Fiscal Budget Determinations:

None. The estimated increase in the required employer contribution rate is less than .005% and therefore will not round up to the minimum increase of .01%.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2002 actuarial valuation report of the Teachers' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: None.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces:

- The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL.
- The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Select Committee on Pension Policy
July 13, 2004 – Meeting Planner
(May 20, 2004)

EXECUTIVE COMMITTEE AGENDA

(A)

(B)

(C)

FULL COMMITTEE AGENDA

- (1) Purchasing Power – Work Session
- (2) Post-retirement Employment – Work Session
- (3) Contribution Rate-setting – Work Session
- (4)

Select Committee on Pension Policy

State Actuary Appointment Committee

(May 20, 2004)

Members:

Senator Joseph Zarelli
Senator Margarita Prentice
Representative Helen Sommers
Representative Barry Sehlin
4 Members of the Select Committee on Pension Policy
(at least one representing actives and one representing employers)

Former JCPP Rules of Procedure (not assumed by SCPP):

RULE 10. Expenses. **The biennial budget submission for the office of the state actuary shall be approved by the executive committee.**

RULE 12. Other Staff.

- A. The state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the state actuary deems necessary.
- B. **The number of permanent employees and the salary ranges for their positions shall be approved by the executive committee.**
- C. **The executive committee shall approve all personal service contracts in excess of \$5,000.00.**
- D. All staff members shall report to and be subject to the direction of the state actuary, and be exempt from the provisions of the state civil service law, chapter 41.06 RCW. **The state actuary shall advise the executive committee on personnel actions. Anyone terminated by the state actuary shall have the right of appeal to the executive committee.**

- E. **Grievance Procedure.** An employee who is dissatisfied with a personnel action or employment conditions shall bring the matter to their supervisor. If they continue to be dissatisfied, the employee may appeal to the State Actuary. **If the employee disagrees with the decision or action of the State Actuary, the employee may appeal to the chair or vice chair for action by the executive committee.**

SHB 1204 (Ch. 295, L of 03) – Creation of SCPP

“Sec. 5. The select committee on pension policy has the following powers and duties: ...

- (3) **Consult with the chair and vice-chair on appointing members to the state actuary appointment committee upon the convening of the state actuary appointment committee....”**

“Sec. 13.

(1) The state actuary appointment committee is created. The committee shall consist of: (a) The chair and ranking minority member of the house of representatives appropriations committee and the chair and ranking minority member of the senate ways and means committee; and **(b) four members of the select committee on pension policy appointed jointly by the chair and vice-chair of the select committee, at least one member representing state retirement systems active or retired members, and one member representing state retirement system employers.**

(2) The state actuary appointment committee shall be jointly chaired by the chair of the house of representatives appropriations committee and the chair of the senate ways and means committee.

(3) The state actuary appointment committee shall appoint or remove the state actuary by a two-thirds vote of the committee. When considering the appointment or removal of the state actuary, the appointment committee shall consult with the director of the department of retirement systems, the director of the office of financial management, and other interested parties.

(4) The state actuary appointment committee shall be convened by the chairs of the house of representatives appropriations committee and the senate ways and means committee (a) whenever the position of state actuary becomes vacant, or (b) upon the written request of any four members of the appointment committee.

“Sec. 1. RCW 44.44.030 and 2001 c 259 s 11 are each amended to read as follows:

(1) Subject to RCW 44.04.260, the state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the actuary deems necessary, **whose salaries shall be fixed by the actuary and approved by the ((joint-committee-on-pension-policy)) the state actuary appointment committee**, and who shall be exempt from the provisions of the state civil service law, chapter 41.06 RCW.”